Implementation Guide

4.1 Overview

The purpose of this section is to assist Direct Loan Custom Schools, Third Party Servicers, and Software Vendors with implementing the system changes for the 2000-2001 Direct Loan Program. This section describes each 2000-2001 Direct Loan modification and is a companion to the record layouts and edits contained in Section 1 and Section 2. Questions pertaining to this section should be directed to the LOC at **800/848-0978**.

An overview of the 2000-2001 Direct Loan modifications is provided in "*2000-2001 Modifications at a Glance*."

To help users understand the new guidelines, the modifications have been classified into seven specific functional areas:

- Loan Origination and Change Records
- Disclosure Statement
- Disbursement Records
- Promissory Notes
- Reports
- Servicing Interface
- Web Access

Within each functional area, individual modifications are described and discussed. This discussion includes the business rules for implementation and when applicable an example for the modification.

If you have questions regarding the material in this section, please call the Direct Loan Origination Center (LOC) between the hours of 8:00 a.m. and 8:00 p.m. (ET).

800/848-0978

OR

E-mail us at: **loan_origination@mail.eds.com**

4.2 2000-2001 Modifications at a Glance

A matrix of the 2000–2001 modifications begins on the next page. We hope this matrix serves as a quick reference for 2000-2001 changes.

1999 2000 *2000-2001* Modifications at a Glance

1999 2000 *2000-2001* Modifications	New Process/ Procedure	New Edit	Redesign Record Layout	New or Redefined Field(s)	New Change Transmit Field(s)	New or Redefined Reject Codes	New Report/ New Format	Eliminate Fields, & Reject Codes
3.1 Allow Multiple Origination Fee	X	X		X	X			
3.2 LOC to calculate the Anticipated Completion Date	X		X					X
4.1 Redesign Disclosure Statement and Printing Process	X	X	X	X	X	X		
5.1 Allow up to 20 Anticipated Disbursements	X	X	X	X	X	X		
5.2 Send Booking Notification to Schools	X		X				X	X
5.3 Eliminate Requiring Actual Disbursements to be received in Chronological order.	X							X
6.1 Implement Multi-Year Functionality for MPN	X	X				X		
6.2 Eliminate Promissory Note Print Sequence fields.	X		X					X
7.1 Notify schools of Disbursement Activity not yet booked at Servicing	X						X	X
8.1 Process Refunds received by Servicing from a borrower and Transmit data to Schools	X			X				
9.1 Provide Online access to LOS to schools (view only)	X							
9.2 Provide Web Credit Check access to schools.	X	X		X		X		
9.3 Provide Online access to GAPS data for schools.	X							

4.3 Loan Origination

4.3.1 Allow Multiple Origination Fees

2000-2001 Modification: The loan origination fee has been 4% for all Direct Loans since the inception of the Direct Loan Program. In August 1999, Federal regulations passed by Congress permits a loan origination fee of 3% for Direct Subsidized and Unsubsidized loans. The PLUS loan origination fee remains at 4%. Direct Subsidized and Unsubsidized loans eligible for the 3% loan origination fee are those with the first anticipated disbursement on or after August 15, 1999.

Previously, the schools used a 4% percent origination fee for all loans. The fee amount is computed by multiplying the Gross Anticipated Disbursement amount by the origination fee of 4 percent. This origination fee is reflected on anticipated and actual disbursements. **For 2000-2001**, the LOC calculates the fee amount based on the type of loan the borrower receives. If a student receives a Direct Subsidized or Unsubsidized loan, the student is eligible for the loan origination fee of 3%. The standard 4% loan origination fee still applies to all PLUS loans.

Business Rules:

- All loans for years prior to 1999-2000 continue to have the 4% loan origination fee.

- Direct Subsidized and Unsubsidized loans for 2000-2001 have a loan origination fee of 3%.

- PLUS loans continue to have the 4% loan origination fee.

- A new field for the loan origination fee is added to the Loan Origination Record (Field #104).

- The loan origination fee can be changed through the change record for 2000-2001 loans and forward (Change field #S116).

- When a change to the loan origination fee is necessary, the school must make the loan inactive. (The process of making a loan inactive has been simplified. See Custom System Requirements, Section 3 for the process of making a loan inactive.)

- If the loan origination fee on the Loan Origination Record (LOR) is not a valid origination fee, the record rejects with error code 97 (Fee is Invalid).

- If the loan origination fee on the LOR is not equal to the calculated origination fee on the anticipated disbursement fee amount, the record rejects with error code 18 (Loan Fee Amount does not Reflect the Current Loan Fee Percentage).

- If a loan origination fee change is received and the loan is active, the record rejects with error code 96 (Loan not inactive for fee change).

Business Rules (Continued):

▪ If the calculated loan origination fee for the disbursement fee amount on the disbursement record is not equal to the loan origination fee stored at the LOC, the record rejects with error code 30 (Fee on Disbursement Amount does not match Fee on LOR).

▪ The loan origination fee is a numeric five-character field with an implied decimal in the second position from the left. Three percent is indicated as 03.000 and 4% is indicated as 04.000.

4.3.2 LOC to Calculate Anticipated Completion Date

> **2000-2001 Modification:** The requirement for a school to submit the Anticipated Completion Date on the LOR has been eliminated. The LOC now calculates the Anticipated Completion Date based on a devised formula. Upon implementation, this modification affects all years.

Currently, the LOC receives the Anticipated Completion Date (ACD) field in the Loan Origination Record (LOR) from the schools. If the ACD is more than 6 years past the loan period start date, the LOC accepts the LOR, but stores the ACD as a date 6 years past the loan period start date. The LOC then sends the ACD to Servicing.

Starting in 2000-2001, instead of the schools sending the Anticipated Completion Date in the LOR, the LOC automatically calculates the ACD and transmits it to Loan Servicing. The ACD field has been removed from the Loan Origination Record (LOR). The LOC calculates the ACD based on the loan period, the student's grade level, and the schools program length. Changes or corrections can be made to the ACD through the Student Status Confirmation Report (SSCR) process only.

If an LOR is sent to the LOC for 1999-2000 loans and prior with the ACD in the record layout, the LOC ignores this field and calculates the ACD using the student's grade level, loan period, and program length.

Business Rules:

- The LOC calculates the ACD for all loan years submitted.
- For 2000-2001 the ACD has been removed from the LOR (field #16).
- The LOR error code 35 (ACD must be after the loan period start date) has been removed.
- The LOR error code 77 (ACD cannot be before loan period end date) has been removed.
- The LOC ignores the ACD field on the LOR submitted for all previous loan years.
- The LOC calculates the ACD based on the loan period, the student's grade level, and the school's program length for each new loan.
- The LOC passes the calculated ACD to Loan Servicing.
- Loan Servicing uses the date calculated by the LOC to place the borrower in repayment (unless the date is updated through the SSCR process).
- The ACD is distributed to NSLDS via Loan Servicing.

See table on the next page for ACD calculation guidelines.

The following guidelines are used to calculate the Anticipated Completion Date.

School's Program Length	Students Grade Level	ACD
Short Term (>300 Hours)	All Grade Levels	LPED
Graduate/Professional (<300 Hours)	All Grade Levels	LPSD + 2 Years
Non-Degree (> 600Hours)	All Grade Levels	LPED
Non-Degree (1 Yr/900 Hours)	All Grade Levels	LPSD + 1 Year
Non-Degree (2 Yr/1800 Hours)	First Year	LPSD + 2 Years
	Second Year and Up	LPSD + 1 Year
Associate's Degree	First Year	LPSD + 2 Years
	Second Year and Up	LPSD + 1 Year
Bachelor's Degree	First Year	LPSD + 4 years
	Second Year	LPSD + 3 Years
	Third Year	LPSD + 2 Years
	Fourth Year and Up	LPSD + 1 Year
First Professional Degree	First Year	LPSD + 5 Years
	Second Year	LPSD + 4 Years
	Third Year	LPSD + 3 Years
	Fourth Year	LPSD + 2 Years
	Fifth Year and Up	LPSD + 1 Year
Master's or Doctor's Degree	First Year	LPSD + 5 Years
	Second Year	LPSD + 4 Years
	Third Year	LPSD + 3 Years
	Fourth Year	LPSD + 2 Years
	Fifth Year and Up	LPSD + 1 Year
Professional Certification	All Grade Levels	LPSD + 2 Years
U/G Previous Degree Required	First Year	LPSD + 3 Years
	Second Year	LPSD + 2 Years
	Third Year and Up	LPSD + 1 Year
Three Plus Year	First Year	LPSD + 3 Years
	Second Year	LPSD + 2 Years
	Third Year and Up	LPSD + 1 Year
2 Year Transfer	First Year	LPSD + 2 Years
	Second Year and Up	LPSD + 1 Year

LPSD = Loan Period Start Date
LPED = Loan Period End Date

4.3.2.2 **Examples**

NOTE: For this modification schools do not have to make the calculations. The following examples are provided to assist schools in understanding the way the ACD is calculated.

Example 1: If a school sends in an LOR with the ACD included for a loan for a previous year (1999-2000), the LOC ignores and computes the ACD based on the students grade level, loan period, and program length supplied by the school on the LOR. (See the chart on the previous page for specific values).

A student at any grade level (1-7), with a short term program length of less than 300 hours, will have the loan period end date (LPED) as their ACD.

A student at grade level 3, working on a bachelor's degree (school's program is certified as a Bachelor's degree program), with a loan period start date of 08/01/2000, will have an anticipated completion date of 08/01/2002 (LPSD plus two years).

Example 2: If a school sends in an LOR for a 2000-2001 loan, there will not be a field on the LOR to send the ACD. The LOC automatically calculates the ACD based on the loan period, program length at the school, and the student's grade level supplied by the school on the LOR.

A student at any grade level (1-7), with a short-term program length of less than 300 hours, will have the loan period end date (LPED) as their ACD.

A student at grade level 3, working on a bachelor's degree (school's program is certified as a Bachelor's degree program), with a loan period start date of 08/01/2000, will have an anticipated completion date of 08/01/2002 (LPSD plus two years).

4.4 Disclosure Statement

4.4.1 Redesign of the Disclosure Statement and Printing Process

2000-2001 Modification: The Disclosure Statement and printing process has been modified to accommodate the increased number of anticipated disbursements allowed by Direct Loans for Direct Subsidized and Unsubsidized loans. The schools now have the option of printing their own Disclosure Statements for their borrowers or having the LOC print the Disclosure Statement for their borrowers.

The Disclosure Statement has been redesigned to accommodate up to 20 anticipated disbursements for 2000-2001 loans and forward.

Currently, the LOC prints the Disclosure Statements for all schools upon acceptance of the LOR. Since only four disbursements are allowed for Direct Subsidized and Unsubsidized loans, the print specifications will not allow more than four loans on the Disclosure Statement..

Starting in 2000-2001, the Disclosure Statement has been changed to allow up to 20 anticipated disbursements for Year 2000-2001 loans and forward. Although the 1999-2000 loans use the newly designed form after implementation of 2000-2001, they do not show 20 anticipated disbursements. As in the past, they continue to show four anticipated disbursements for 1999-2000 loans and prior.

Also, for 2000-2001 a Plain English Disclosure Stuffer listing the borrower's rights and responsibilities has been devised and must be mailed to the borrower with the Disclosure Statement. You may receive the Plain English Disclosure by contacting the LOC and requesting it through the regular fulfillment process at 800-848-0978. The LOC will include the Plain English Disclosures with the Disclosure Statements that are printed at the LOC.

A new field has been added to the LOR, Disclosure Statement Print Indicator, (field #149. When a school originates a loan, the school has the option to set a flag in the Loan Origination Record (LOR) using this field to indicate if the LOC should print the Disclosure Statement. If this flag is left blank, this indicates to the LOC that the school prints the Disclosure Statement. Schools have the ability to change the Disclosure Statement Print Indicator by sending a change record to the LOC (Change field #S115).

Business Rules

Printing Process:

- The Disclosure Statement is only printed for Direct Subsidized and Unsubsidized loans.
- Disclosure Statements are not printed for PLUS loans.

Business Rules: (Continued)

- The new Disclosure Statement applies to all 1999-2000 loans and forward after implementation of 2000-2001.

- Schools can only print Disclosure Statement for 2000-2001 loans.

- The LOC will continue to print Disclosure Statements for 1999-2000 loans.

- The LOC prints the Disclosure Statement for a particular loan 10 days prior to the first anticipated disbursement date.

- Schools have the option of printing Disclosure Statements anytime before the disbursement date.

- A new field has been added to the LOR, Disclosure Statement Print Indicator, to indicate whether the school or the LOC prints the Disclosure Statement. Y = LOC prints; Blank = School prints.

- The LOC is required to print the Disclosure Statement, regardless of the print indicator, for any loan that has more than 12 non-zero anticipated disbursements.

- If the LOC receives an LOR for which the LOC is supposed to print the Disclosure Statement and 10 days prior to the first anticipated disbursement has passed, the LOC prints the Disclosure Statement upon acceptance.

- If any value other than "Y" or Blank is received, the LOC rejects the LOR with an error code of 21 (Invalid Disclosure Statement Print Indicator).

- If the Disclosure Statement Print Indicator is changed from Y to Blank and the number of anticipated disbursements increase to more than 12, the record rejects with a reject code of "99." (See Example on page 4-6-3.)

- The Disclosure Statement is reprinted for any changes to Loan Amount Approved if the loan is not booked.

- The LOC sends the Disclosure Statement to the borrower's permanent address.

- Any anticipated disbursement with a zero dollar amount ($0) is not printed on the Disclosure Statement unless the loan is made inactive.

- If the anticipated disbursement date or amount changes, a new Disclosure Statement is printed.

- The maximum number of loans included on one Disclosure Statement is two. They must be different loan types (two subsidized or two unsubsidized loans are not allowed on the same Disclosure Statement). They must be the same SSN, loan year, school, loan sequence number, promissory note number, and at least one of the two loans must meet the 10 day printing criteria.

- There can only be one subsidized and one unsubsidized loan on each Disclosure Statement.

Disclosure Statement Redesign:

- The redesigned Disclosure Statement is used for 1999-2000 loans and forward as of the implementation of the 2000-2001 release.

- The majority of the legal text has been moved to the back of the form.

- The two boxes for the Subsidized and Unsubsidized loans have been enlarged to accommodate up to 12 anticipated disbursements.

- The Department provides schools that print their own Disclosure Statements preprinted stock.

When the LOC prints:
- The LOC prints the total for each loan type on the back when the number of non-zero anticipated disbursements for both loans is greater than 12.

4.4.1.1 Examples

Example 1: When LOC prints Disclosure Statement versus when School prints Disclosure Statement (See Tables Below).

Disclosure Statement Print Indicator on the LOR	Number of non-zero Anticipated Disbursements	Change Record Received	LOC's Action After Meeting 10-Day Printing Criteria
Blank	> 12		LOC will print Disclosure Statement.
Y	> 12		LOC will print Disclosure Statement.
Blank	> 12	Disclosure Statement Print Indicator = Y	LOC will reprint Disclosure Statement.
Y	> 12	Disclosure Statement Print Indicator = Blank (Change record will reject)	LOC will reprint Disclosure Statement.

Example 2: If the Disclosure Statement Print Indicator is set to "Y," and there are 11 anticipated disbursements, the LOC will print the Disclosure Statement for the School. If the school sends in a change record for the Disclosure Statement Print Indicator and sets it to Blank (the school prints) and also adds 2 more anticipated disbursements for that loan, it will reject with a reject code of "99" (Anticipated Disbursements are more than 12. LOC is required to print the Disclosure Statement). This reject occurs because the number of anticipated disbursements have increased from 11 to 13, and the LOC is required to print the Disclosure Statement for any loans where there are more than 12 non-zero anticipated disbursements.

Disclosure Print Scenarios					
Disclosure Statement Print Indicator on the LOR	**Number of Non-Zero Anticipated Disbursements**	**Special Condition**	**Change Record to Change Disclosure Statement Print Indicator**	**LOC's Action on Change Record**	**LOC's Action on Disclosure Statement After Meeting 10-Day Printing Criteria**
Blank	> 12	LOC **has not** printed Disclosure Statement because 10-day criterion has not been met.	Y	LOC will accept change record.	LOC will print Disclosure Statement.
Y			Blank	LOC will reject change record with error code 99.	LOC will print Disclosure Statement.
Blank	> 12	LOC **has** printed Disclosure Statement because 10-day criterion has been met.	Y	LOC will accept change record	LOC will reprint Disclosure Statement.
Y			Blank	LOC will reject change record with error code 99 since there are more than 12 non-zero anticipated disbursements.	LOC will reprint Disclosure Statement.
Blank	< 12	LOC **has not** printed Disclosure Statement because it was not supposed to.	Y	LOC will accept change record.	LOC will print Disclosure Statement.

Disclosure Print Scenarios					
Disclosure Statement Print Indicator on the LOR	**Number of Non-Zero Anticipated Disbursements**	**Special Condition**	**Change Record to Change Disclosure Statement Print Indicator**	**LOC's Action on Change Record**	**LOC's Action on Disclosure Statement After Meeting 10-Day Printing Criteria**
Y	<12	LOC **has** printed Disclosure Statement because 10-day printing criterion has been met.	Y	LOC will accept change record.	LOC will reprint Disclosure Statement.
Y	<12	LOC **has** printed Disclosure Statement because a 10-day printing criterion has been met.	Blank	LOC will accept change record and update the Disclosure Print Indicator in the LOS database.	LOC will not print Disclosure Statement.
Y	<12	LOC **has not** printed Disclosure Statement because 10-day printing criteria have not been met.	Blank	LOC will accept change record.	LOC will not print Disclosure Statement.

Disclosure Print Scenarios				
Disclosure Statement Print Indicator on the LOR	**Disclosure Statement Print Indicator on the Change Record**	**Special Condition**	**LAA, Anticipated Disbursement Dates, or Anticipated Amounts Change on Change Records**	**LOC's Action After Meeting 10-Day Printing Criteria**
Blank	Y	LOC has not printed because it was not required to print.	Yes	LOC will print Disclosure Statement.
Y	Blank	LOC already printed.	Yes	LOC will not print any further Disclosure Statements.
Y	Blank	LOC has not printed because a 10-day criterion has not been met.	Yes	LOC will not print Disclosure Statement.

4.5 Disbursements

4.5.1 Allow up to 20 Anticipated and Actual Disbursements for Direct Subsidized and Unsubsidized Loans

2000-2001 Modification: The LOC now accepts up to 20 anticipated and actual disbursements for Direct Subsidized and Unsubsidized loans. Upon implementation, this modification affects Program Year 2000-2001 and forward.

Currently, the Loan Origination Center (LOC) allows up to four anticipated and actual disbursements for a loan. Loan records, promissory note acknowledgements, disbursement processing, reconciliation, and report programs accommodate only four anticipated and actual disbursements per loan.

Starting in 2000-2001, the LOC allows up to 20 anticipated and actual disbursements for Direct Subsidized and Unsubsidized loans. Loan records can have up to 20 anticipated disbursements, and the promissory note acknowledgement has been changed to accommodate up to 20 anticipated disbursements. Reports have been modified to accommodate this change as well.

Business Rules:

- Applicable to Year 2000-2001 and forward Direct Subsidized and Unsubsidized loans.

- The LOC continues to accept up to four anticipated and actual disbursements for PLUS loans.

    - If the LOC receives a PLUS loan origination record (LOR) with more than four anticipated disbursements, the LOR rejects with a reject code "95." (Only four Anticipated Disbursements are allowed for a PLUS loan).

    - The LOC also rejects an actual disbursement with a disbursement number greater than four for a PLUS loan with reject code "29." (PLUS loan disbursement number must be 01-04).

- The Loan Origination Record layout (#D and PF Batch Type) has been increased to 897 bytes to accommodate up to 20 anticipated disbursements. (See Custom Layout Section for record layout details.)

- New change field values have been added to allow up to 20 anticipated disbursements. (See Custom Layout Section for new Export Change Table Values.)

- Promissory note acknowledgement records (#D, #A batches with DIPA message class) have been modified to include up to 20 anticipated disbursements for Direct Subsidized and Unsubsidized loans. (See Custom Layout Section for layout details.)

- The Loan Origination Record (#D) has been modified to contain the disbursement percentage for disbursements 01-20. However, these fields may be blank. (See Custom Layouts Section for layout details.)

- The actual disbursement process has been modified to accommodate up to 20 actual disbursements.

- The length of the field, disbursement number, has increased from 1 to 2 bytes in the disbursement batch (#H) record (for example: 01, 02, 03 not 1, 2, 3).

- The Direct Loan School Account Statement (DLSAS), Option Loan Detail Exception reports, and the 732 Report accommodate disbursements 01-20.

- The Disclosure Statement has been redesigned to accommodate up to 20 anticipated disbursements and is discussed further in section 4-6.

4.5.2 LOC Sends a Booking Notification to the Schools

2000-2001 Modification: The LOC creates and sends a booking notification to the schools for every disbursement activity transaction the LOC books. Upon implementation, this modification affects Program Year 2000-2001 and forward.

Currently, the disbursement and the promissory note acknowledgements that the LOC sends to the school contains the Booked Status, Booking Reject Codes, and the Origination Center's Total Net Loan Amount. This informs the school when the loan is "bookable" at the LOC. Bookable means that there is an accepted Loan Origination Record (LOR), promissory note, and first actual disbursement, but the loan booking has not been executed and data passed on to Loan Servicing. Subsequent disbursements are booked by the LOC and passed on to Loan Servicing.

Starting in 2000-2001, when the LOC books a disbursement (Activity type "D") or an adjusted disbursement amount (Activity type "A"), a booking notification is generated and sent to the school for each transaction. In addition, the Booked Status, Booking Reject Codes, and the Origination Center's Total Net Loan Amount have been removed from the disbursement and promissory note acknowledgements. These fields are no longer necessary since the booking notification contains the Booked Date at the LOC and the LOC's Total Net Booked Loan Amount.

Business Rules:

- Applicable for Program Year 2000-2001 loans and forward.

- The booking notification transaction is sent to schools.

- The LOC generates the booking notification and sends it to schools once a disbursement or adjusted disbursement amount is booked at the LOC.

- The booking notification contains the disbursement booking date for each disbursement amount or adjustment amount. The booking date is the date the LOC passes the booked disbursement or adjustment to Loan Servicing.

- A loan is considered booked when there is an accepted loan origination record, promissory note, and first actual disbursement at the LOC. Each disbursement and each adjustment is also booked by the LOC.

- The following fields have been removed from the disbursement and promissory note acknowledgements:
  – Booked Status
  – Booking Reject Codes
  – Origination Center's Total Net Loan Amount

- The disbursement acknowledgement message class DIOD and batch type #B will contain the booking notification to schools from the LOC.

Business Rules (Continued):

- The record layout for the booking notification contains the following fields:
  - Loan ID
  - Disbursement Number (01-20)
  - Disbursement Activity Type:
    — L - Booking Disbursement
    — M- Booking Adjustment
  - Booked date at the LOC
  - Disbursement Sequence Number (01-99)
  - Disbursement Batch Number
  - Direct Loan School Code
  - Origination Center's Total Net Booked Loan Amount
  - Acknowledgement Date (date the LOC created the booking notification)
- The remaining fields on the disbursement record layout for booking notifications (#B) are blank.
- If a school sends multiple disbursement transactions within the same date for the same loan, the Origination Center's Total Net Booked Loan Amount, populated in the Booking Notification, is the total of all disbursement transactions received through that processing date (i.e., If two disbursement transactions are sent simultaneously, the Loan Origination Center's Total Net Booked Loan Amount is the same figure for both disbursements on their Booking Notification.)

4.5.2.1 Example

Scenario: On 9/9/2000, School A disburses and transmits to the LOC the 1st actual disbursement for Student X with gross amount of $1000. Previously, the LOC accepted both the loan origination record and the promissory note for this loan. Subsequently, the LOC transmits to the school a disbursement acknowledgement on 9/10/2000 accepting the 1st actual disbursement. As well, on 9/9/2000 the LOC books the loan, transmits data to Servicing, and sends a booking notification to the school on 9/10/2000. The diagrams below illustrate the disbursement record sent to the LOC, and disbursement acknowledgement and booking notification sent to the school for this scenario.

(Note: In this example, we have added spaces between data fields for ease of reading and have included only some of the fields contained in the record layout. For actual record layouts, please refer to the Custom Layout Section 1.)

Disbursement Export from school (DESD01IN/Batch Type #H) contains the following fields:

Loan Identifier	Disb. #	Disb Activity	Trans. Date
123456789S01G98765001	01	D	20000909

Disb Sequence #	Disb. Gross Amount	Disb. Batch #
01	01000	#H1G9876520000909120000

Disbursement Acknowledgement from LOC (DIOD01OP/Batch Type #H) contains the following fields:

Loan Identifier	Disb. #	Disb Activity	Trans. Date
123456789S01G98765001	01	D	20000909

Disb. Sequence #	Disb. Gross Amount	Disb. Batch #
01	01000	#H1G9876520000909120000

Disb. Activity Taken	Orig. Cntr. Total Net Booked Amt.	Acknowledg. Date
Blank (Accepted)	Blank	20000909

Booking Notification from LOC (DIOD01OP/Batch Type #B) contains the following fields:

Loan Identifier	Disb. #	Disb Activity	Trans. Date (Book Date)
123456789S01G98765001	01	L	20000909

Disb. Sequence #	Disb. Gross Amount	Disb. Batch #
01	01000	#B1G9876520000909120000

Orig. Cntr. Total Net Booked Amt.	Acknowledg. Date
00970	20000909

4.5.3 Eliminate the Requirement to Process Actual Disbursements in Disbursement Number/Chronological Date Order for a Loan

2000-2001 Modification: The LOC now allows actual disbursements numbered 02-20 to be submitted in any disbursement number/chronological date order. Upon implementation, this modification affects Program Year 2000-2001 and forward.

Currently, the LOC requires schools to send anticipated and actual disbursements in sequential order for a loan. For example, disbursement number 1 should be sent before disbursement numbers 2, 3, and 4; and disbursement number 2 should be sent before 3 and 4. In addition, the LOC requires the anticipated and actual disbursements to be submitted in chronological disbursement date order.

Starting in 2000-2001, the LOC allows schools to send in actual disbursements in any order once the LOC has accepted disbursement number one as the first actual disbursement and disbursement number one contains the earliest date. The disbursement numbers and disbursement dates of subsequent actual disbursements do not have to be in order but none of the subsequent disbursements can have a date earlier than the first actual disbursement. The LOC allows schools to send in anticipated disbursements in any order as long as the first anticipated disbursement is disbursement number one and has the earliest date *on change records only*. ~~All other anticipated disbursements can be in any disbursement number or date order as long as they do not have a date earlier than anticipated disbursement number one. Change records for anticipated disbursements can be out of order~~

Business Rules:

- Applicable to Year 2000-2001 loans and forward.

- Disbursement number one must be processed first by the LOC and must have the earliest date.

- Actual Disbursements numbered 02-20 no longer have to be sent in chronological or date order.

- The first anticipated disbursement must have the earliest date.

- If the first actual disbursement does not have the earliest date, the record rejects with a reject code of "28." (1st actual disbursement date must be prior to all subsequent disbursements.)

- If the LOC does not have the actual disbursement number 1 for a loan and the school tries to submit other actual disbursement numbers, they are rejected with reject code "27." (The LOC must receive the first actual disbursement first.)

- If the date of the 1st anticipated disbursement is not the earliest date, it is rejected with a reject code of "A2." (Date of 1st anticipated disbursement must be the earliest.) This applies to the LOR.

"Q" transactions are not accepted for actual disbursements that result in the disbursement date for the first actual disbursement no longer being the earliest disbursement date.

4.5.3.1 Example

The following table illustrates the editing of disbursement sequencing:

Partial Loan ID	Disbursement #	Disbursement Date	1st Disbursement Accepted?	Date of 1st Disbursement & Date Prior?	Action Taken by LOC
123…	02	01/02/2000	Yes	Yes (09/09/1999)	Accept Transaction
456…	03	03/15/2000	Yes	No (03/16/2000)	Reject Transaction
789…	04	05/01/2000	No	No	Reject Transaction

The following table illustrates editing of disbursement's chronological order:

Partial Loan ID	Disbursement #	Disbursement Date	Prior Disbursement #'s Accepted?	Prior Disbursement Dates?	Action Taken by LOC
123456789…	01	09/01/1999	None	None	Accept Transaction
987654321…	02	11/25/1999	01	09/01/1999	Accept Transaction
555445555…	02	11/25/1999	None	N/A	Reject Transaction
777887777…	02	11/25/1999	01 03	09/01/1999 10/10/1999	Accept Transaction
000110000…	03	12/12/1999	01	09/01/1999	Accept Transaction
343434343…	04	03/01/1999	01 02	09/01/1999 03/15/199	Accept Transaction

4.6 Promissory Note Modifications

4.6.1 Implement Multi-Year Master Promissory Note Functionality Replace "S" or "U" in MPN ID with "M"

> **2000-2001 Modification:** The LOC has implemented Multi-year Note (MYN) functionality. This change allows a student to sign one Master Promissory Note (MPN) for all Direct Subsidized and Unsubsidized loans. One MPN can be used for any Subsidized or Unsubsidized loan, for a specific borrower, across academic years, and across multiple schools eligible to participate in MYN functionality.

Currently, the Master Promissory Note (MPN) is the only approved promissory note for Direct Subsidized and Unsubsidized loans for a student borrower at a specific school. The MPN is not used for PLUS loans and does not support Direct Subsidized and Unsubsidized Loans at multiple schools or for multiple years.

Starting in 2000-2001, no changes are being made to the Master Promissory Note data elements. All existing 1999-2000 MPNs are treated as multi-year notes. Schools eligible for Multi-Year Note (MYN) functionality are able to use these MPNs for Year 2000-2001 loans for the same student. One MPN can be used for multiple Direct Subsidized and Direct Unsubsidized loans for the same student across multiple loan years and for multiple schools participating in MYN functionality.

A single loan ID prints on the MPN. This identification number is used by the LOC to link loans to the MPN. For newly printed MPNs for 2000-2001, the format of the MPN ID has changed to use "M" as the MPN indicator instead of "S" or "U" in the loan type code field. Since multiple loans are linked to an MPN, the promissory note print sequence number is no longer necessary.

The MPN is a legal document requiring the borrower to repay the funds borrowed under the Direct Loan Program. A MPN must be printed by the school or the LOC and signed by the student borrower prior to the disbursement of a Federal Direct Subsidized Loan or a Federal Direct Unsubsidized Loan.

As in the past, the school prints an MPN based on the completed loan origination record and only one note is used for both subsidized and unsubsidized loans. For 2000-2001, the MYN functionality has been implemented for the MPN, for schools that are eligible for the functionality based on Direct Loan Regulations. With this change, if a borrower is attending a school eligible for multi-year functionality, the borrower is required to have only one open MPN on file at the LOC for all subsidized and unsubsidized loans disbursed for academic year 2000-2001 and forward. A school may determine if there is an MPN on file at the LOC by using the NSLDS history page or through access on the WEB. If the borrower had a loan for 1999-2000, there is an MPN on file at the LOC. The open MPN at the LOC can be used for subsidized and unsubsidized loans disbursed for 2000-2001 and forward.

An open MPN on file at the LOC is assigned to the borrower and not limited for the use by a specific school. Therefore, any MPN accepted by the LOC can be used by a school eligible for MYN functionality. Thus, all loans for a student are linked to the same MPN across schools and academic years. ***The Social Security Number (SSN), date of birth, and the first name on the Loan Origination Record must match the SSN, date of birth, and first name on the MPN. If there are any differences, the LOC will not be able to link the MPN to the Loan Origination Record.***

If a school is NOT eligible for MYN functionality (single-year schools), a new MPN must be generated each academic year for each borrower. A single-year school must use an MPN generated at or for that institution only. A single-year school can link all subsidized and unsubsidized loans for the same academic year, for the same student to the same MPN.

An open MPN is valid for up to 10 years from the date of the first anticipated disbursement if an actual disbursement has been made. A student may close an open MPN by calling a Customer Service Representative at the LOC. Once an MPN has been closed, no new loans can be disbursed without a new MPN being generated. However, all disbursements and booking activity for the loans already attached to the closed MPN are processed.

Business Rules:

- Year 2000-2001 begins implementation of MYN functionality; with the ability to use existing 1999-2000 MPN's as Multi-Year Notes (MYN) for some schools.

- MYN functionality is applicable for academic year 2000-2001 and forward.

- MYN functionality does not apply to promissory note processing for PLUS loans.

- Once a loan is linked to a specific Master Promissory Note (MPN), it cannot be unlinked or relinked to any other MPN.

- Schools not eligible for multi-year functionality (Single-year schools) can only use the MPN from their school. They are able to link any subsidized and unsubsidized loans to their MPN for the same loan year, for the same student.

- A school eligible for multi-year functionality is able to use an MPN, for a specific borrower, from any school across multiple academic years.

- All MPNs, including 1999-2000 MPNs, are treated as multi-year notes.

- No new loans can be linked to an inactive MPN. An inactive MPN is defined as an MPN with no actual disbursement activity, for any loans associated with the MPN, for 18 months after the earliest first anticipated disbursement of all the loans linked to the MPN.

The LOC rejects disbursements for loans attached to an inactive MPN, if the disbursement activity date is after the date the MPN was made inactive.

- The LOC accepts disbursements for loans attached to an inactive MPN, if the activity date of the disbursement is before the date the MPN was made inactive.

Business Rules (Continued):

- If an actual disbursement has been made for any loan attached to a MPN, then that MPN can remain active up to 10 years from the earliest actual disbursement date.

- Only an "Open" MPN with an "Accepted" or "Pending" status or an "Inactive" MPN can be closed. A "Rejected" MPN cannot be closed.

- Loans, originated by schools that are not eligible for multi-year functionality, can only be linked to the latest MPN satisfying all of the following criteria:

    The loan is either subsidized or unsubsidized.

    The loan is for Program Year 2000-2001 forward.

    The loan year and school code in 21-character loan ID of the LOR matches with loan year and school code in 21-character MPN ID of the MPN.

    The student attached to a loan matches the student attached to the MPN.

    MPN status must not be "Rejected," "Closed," or "Inactive."

- Loans originated by schools eligible for multi-year functionality can be linked to the latest MPN if the loans satisfy all of the following criteria:

    Loan is either subsidized or unsubsidized.

    Loan is for Program Year 2000-2001 forward.

    The student attached to a loan matches the student attached to the MPN. The loan year and school code in the 21-character loan ID of the LOR does not   have to match the loan year and school code in 21-character of the MPN ID of the MPN (The MPN can have any school code and any loan year).

    MPN status must not be "Rejected," "Closed," or "Inactive."

- Students can call a CSR at the LOC to close all of their MPNs. The LOC sends the student a letter to notify them of the closure of their MPNs.

- ~~A closed MPN can only be reopened by the LOC as an error correction process.~~ A student cannot call the LOC to reopen an MPN. ~~they requested to have closed. If a student's MPNs are closed by the LOC in error, the LOC will send the student a letter to notify them of the reopening of their MPNs that were closed in error.~~

- With MYN functionality, an MPN can support multiple loans across multiple academic years for a specific borrower. This change has caused the current disbursement edit that checks the total disbursed amount against the MPN amount, to be removed (reject code 25).

- The field "Accepted Promissory Note Amount" in the promissory note and the LOR acknowledgment are always sent as spaces for subsidized and unsubsidized loans since these amounts do not have any significance now because of the multi-year functionality. This change is applicable for Program Year 2000-2001 and forward.

Business Rules (Continued):

- Values of the MPN status field in the LOR acknowledgment have been changed to the following:

– A = Accepted ~~m~~*M*aster ~~p~~*P*romissory ~~n~~*N*ote at the LOC

– ~~N~~*P* = Master ~~p~~*P*romissory ~~n~~*N*ote not on file at the LOC

– I = Inactive

– C = Closed

– Q = Rejected

– *X = Pending Master Promissory Note at the LOC*

- If a school that is not eligible for Multi-Year Note functionality sends in an LOR, the LOR acknowledgement will contain the status of "N" if the MPN on file is not from their school.

- MPN ID field is populated in the LOR acknowledgement only if the MPN status is "A." Otherwise MPN ID field is sent as blank in LOR acknowledgement.

- The LOC uses and prints "M" as a valid loan type code field (MPN Indicator) in MPN ID instead of "S" or "U." This change is applicable to all Year 2000-2001 and forward MPNs. Year 2000-2001 MPNs are identified by "01" in the loan year field of the MPN identifier.

- Year 1999-2000 MPNs continues to use "S" or "U" as the loan type code field in the MPN identifier.

- The LOC manually rejects any 2000-2001 and forward MPNs if an MPN indicator field is not sent as "M."

MPN Status:

Receipt Status of MPN:

- Accepted MPN: An MPN, which is received, imaged, and validated successfully by the LOC, and the LOC already has at least one accepted LOR, which is linked to this MPN.

- Pending MPN: An MPN, which is received, imaged, and validated successfully by the LOC, but no accepted LOR is linked to this MPN.

- Rejected MPN: An MPN, which is received by the LOC, but failed validation by the LOC batch- edit process.

- "Not on File" MPN status: This MPN status is used only for LOR acknowledgment purposes when a LOR received by the LOC does not have an MPN for this LOR.

Business Rules (Continued):

Borrower Initiated MPN Status:

▪ Open MPN: An "Open" MPN can be used for any new loans, if the school is eligible for Multi-Year Functionality. The LOC, by default, assigns an open status to any new MPN received. All the existing Year 1999-2000 MPNs are also assigned an open status at the time of Year 2000-2001 implementation, unless the student has requested to close any existing MPNs by calling a CSR at the LOC.

▪ Closed MPN: No new loans can be linked to a closed MPN. However, loans that are already attached to a closed MPN continue to use that MPN for any further processing like actual disbursements made prior to the closing date and loan booking.

System Initiated MPN Status:

Active MPN: By default, all MPNs are active unless the LOC makes them inactive.

▪ Inactive MPN: The LOC changes the MPN status to "Inactive" if there is no actual disbursement activity for any loans associated with the MPN for 18 months after the earliest first anticipated disbursement of all the loans linked to the MPN.

4.6.1.1

Scenarios to Demonstrate Multi-Year Note (MYN) Functionality

All the following scenarios use four schools: Schools G11111 and G22222 are not eligible for multi-year functionality (single year schools) MPN and schools G33333 and G44444 are eligible for multi-year note (MYN) functionality.
All the events happen in the order in which it appears in the grid.

Example Scenario #1:

Seq #	Loan ID	MPN ID	Event Description. (Here L → M means Loan L gets linked to MPN M)
1	111111111S00G11111001 (L1) 111111111U00G11111001 (L2) 111111111S00G11111201 (L3)		
2	111111111S01G11111001 (L4) 111111111S01G11111001 (L5) 111111111S01G11111301 (L6)		
3		111111111M01G11111001 (M1)	L4,L5,L6 -> M1
4		111111111S00G11111201 (M2)	L1,L2,L3 -> M2
5		111111111M01G11111301 (M3)	M3 is accepted with pending status
6	111111111U01G11111301 (L7)		L7 -> M3
7	111111111U01G33333001 (L8)		L8 -> M3
8	111111111U00G33333001 (L9)		L9 cannot be linked to M1 as L9 is year 99/00 loan.
9		111111111S00G33333001 (M4)	L9 -> M4

Example Scenario #2 :

Seq #	Loan ID	MPN ID	Event Description. (Here L → M means Loan L gets linked to MPN M)
1	111111111S00G33333001 (L1) 111111111U00G33333001 (L2) 111111111S00G33333201 (L3)		
2	111111111S01G33333001 (L4) 111111111S01G33333001 (L5) 111111111S01G33333301 (L6)		
3	111111111S01G44444001 (L7)		
4	111111111S01G22222001 (L8)		
5		111111111M01G33333001 (M1)	L4,L5,L6,L7 -> M1
6		111111111U00G33333001 (M2)	L1,L2,L3 -> M2
7		111111111S00G22222301 (M3)	M3 is accepted with pending status
8		111111111S01G22222001 (M4)	L8 -> M4

Example Scenario #3 :

Seq #	Loan ID	MPN ID	Event Description. (Here L → M means Loan L gets linked to MPN M)
1	111111111S00G33333001 (L1) 111111111U00G33333001 (L2) 111111111S00G33333201 (L3)		
2	111111111S01G33333001 (L4) 111111111S01G33333001 (L5) 111111111S01G33333301 (L6)		
3	111111111S01G44444001 (L7)		
4		111111111S00G33333001 (M1)	All loans (L1 thru L7) -> M1

Example Scenario #4 :

Seq #	Loans ID	MPN ID	Event Description. (Here L → M means Loan L gets linked to MPN M)
1	111111111S00G33333001 (L1) 111111111U00G33333001 (L2) 111111111S00G33333201 (L3)		
2	111111111S01G33333001 (L4) 111111111S01G33333001 (L5) 111111111S01G33333301 (L6)		
3	111111111S01G44444001 (L7)		
4		111111111M01G33333001 (M1)	L4,L5,L6,L7-> M1
5		111111111S00G33333001 (M2)	L1,L2,L3 -> M2

4.6.2 Eliminate Promissory Note Print Sequence Number Field

> **2000-2001 Modification:** Eliminate promissory note print sequence number field. Because of changes to the Master Promissory Note process, the promissory note print sequence number field is no longer relevant to the promissory note process.

Currently, the promissory note print sequence number is accepted in the LOR and acknowledged in the promissory note acknowledgment. The promissory note print sequence number field represents the number of times the promissory note has been printed for a particular loan.

Starting in 2000-2001, the promissory note print sequence number is no longer relevant to the MPN process and is not printed on the Master Promissory Note. Consequently, the LOC does not use it. Therefore, this field has been removed from the Loan Origination Record and the Promissory Note Acknowledgment.

Business Rules

▪ This change is applicable for Year 2000-2001 and forward loans.▪

4.7 Report Modifications

4.7.1 Disbursement Activity Not Yet Booked at Servicing Report

> **2000-2001 Modification:** A Disbursement Activity Not Yet Booked at Servicing Report is created for all Direct Loan schools indicating disbursement activities that have booked at the LOC and not at Servicing.
>
> This change is applicable for all open years beginning with Implementation of 2000-2001 requirements.

Currently there is no process in place to report to the schools any discrepancies between what has booked at the LOC and what has been booked by Servicing.

Starting in 2000-2001, Servicing sends a file to the Loan Origination Center (LOC) for a particular month's activity. By comparing what is on the LOC database to what is in the file provided by Servicing, the LOC generates a Disbursement Activity Not Yet Booked at Servicing Report. This report is generated on a monthly basis. It indicates discrepancies involving disbursement activity that has booked at the LOC and has not booked at Servicing. This report is sent to the schools (Message Class ED~~09~~*14*##OP). This report enables the school to determine where a particular disbursement activity stands in the process for students who have loans originated through their institution and what activities are completely booked at Servicing.

> **Business Rules:**
> - The report applies to all active loan years.
> - The report is processed by the LOC and sent to schools on a monthly basis.
> - The message class for this report is ED~~09~~*14*##OP.
> - The report is created by comparing what is on the LOC database to what is in the file received from Servicing.
> - The report is sorted by Loan Year.
> - Displayed fields are:
>   DLSS School ID
>   School Name
>   Line Number (Sequence number for this report for quick reference
>   Loan Year
>   Borrower Name
>   SSN
>   21-character Loan ID
>   Disbursement Sequence Number

Business Rules (Continued):

- – Activity Sequence Number
- – Transaction Date (Schools effective date from Original Transaction)
- – Transaction Type
- – Net Amount (Disbursement or the Adjusted amount for an Adjustment)
- – Date Received at LOC
- – Held Flag (Flag to indicate transaction not sent to Servicing because of previous errors on other transactions.)
- – Days (total number of days since received in LOC and not booked at Servicing.)

Report Layout:

```
RUN DATE: mm/dd/ccyy          DIRECT LOANS                    Page   xxx
     REPORT ON DISBURSEMENT ACTIVITY NOT YET BOOKED AT SERVICING
               FOR TRANSACTIONS RECEIVED (From Schools) by
                      Month Ending mm/dd/ccyy
School Code: Gxxxxx School Name: xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
-------------------------------------------------------------------
-
Line No      Program Yr    Borrower Name                  Borrower SSN
Loan Id                       Disb Seq No  Activity Seq No Trans Type
Trans Date  Date Recv@LOS      Gross Amt           Net Amt Held(Y/N)
Days
 ------------------------------------------------------------------
1           ccyy-ccyy     Aaaaaaaaaaaaaaaaaaaaaaaaaaaaaa xxx-xx-xxxx
xxxxxxxxxxxxxxxxxxxx                   x              x  x
mm/dd/ccyy  mm/dd/ccyy        $99,999.99      $99,999.99 N       xxx

*2          ccyy-ccyy     Baaaaaaaaaaaaaaaaaaaaaaaaaaaa   xxx-xx-xxxx
xxxxxxxxxxxxxxxxxxxx                   x              x  x
mm/dd/ccyy  mm/dd/ccyy         $9,999.99       $9,999.99 Y      xxxx

Total:  999,999,999     $999,999,999.99 $999,999,999.99  999,999,999

1           ccyy-ccyy     Aaaaaaaaaaaaaaaaaaaaaaaaaaaaaaa xxx-xx-xxxx
xxxxxxxxxxxxxxxxxxxx                   x              x  x
mm/dd/ccyy  mm/dd/ccyy        $99,999.99      $99,999.99 N       xxx

2           ccyy-ccyy     Baaaaaaaaaaaaaaaaaaaaaaaaaaaaa  xxx-xx-xxxx
xxxxxxxxxxxxxxxxxxxx                   x              x  x
mm/dd/ccyy  mm/dd/ccyy         $9,999.99       $9,999.99 Y      xxxx

Total:  999,999,999      $9,999,999.99   $9,999,999.99    999,999
```

* The transaction has been reported in the previous month.

The Disbursement Activity Not Yet Booked at Servicing Report lists the
Disbursement transactions that have been booked at the LOC, but have not
been booked at Servicing. This report assists schools in identifying the problem loans.

4.8 Servicer Interface

4.8.1 Process Refunds received from Servicing and Transmit Data to Schools

> **2000-2001 Modification:** The LOC now sends a modified disbursement record to the school containing information on refunds received at Servicing. Upon implementation, this modification affects only Program Year 2000-2001 and forward.
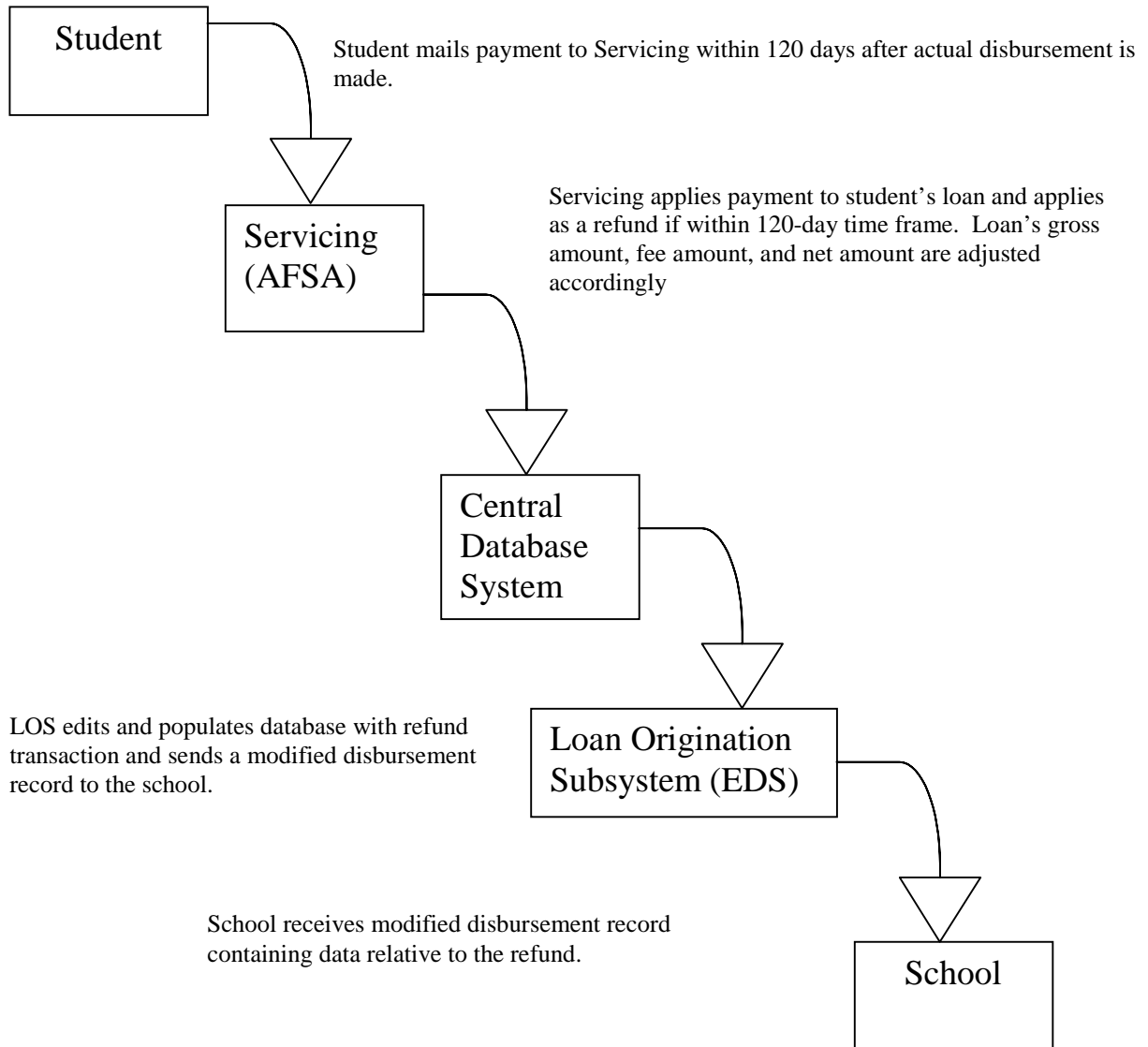
Currently, when a borrower returns all or part of his or her student loan proceeds to the Servicer within 120 days from the date of an actual disbursement, it is considered a refund. If the Servicing Center receives a refund, the information is passed along to the LOC where it is edited and stored on the database. The refund is considered in the calculation of loan limits for all future disbursements received on the loan. However, the information is not sent to the schools.

Starting in 2000-2001, Servicing transmits refund information to the LOC, ~~Accordingly,~~ the LOC sends the refund transaction to the school as a modified disbursement record whereby the school is able to maintain an accurate history of disbursement transactions on the student's loan. For the purpose of annual loan limits, these transactions do not *automatically* adjust the loan amount and schools should use this transaction and adjust the annual loan limit if the borrower requests additional funds.

> **Business Rules:**
>
> - When the LOC has edited and accepted a refund transaction, a modified disbursement record (Message Class DIOD##OP -batch type SP) is sent to the school that originated the loan.
>
> - This modified disbursement record applies to Program Year 2000-2001 and forward.
>
> - The following fields are populated on the modified disbursement record sent to the schools:
>   - Loan Identifier
>   - Disbursement Number
>   - Disbursement Activity (P)
>   - Transaction Date
>   - Disbursement Batch Number (batch type SP)
>   - School Code
>   - Servicer Refund Amount
>   - Acknowledgement Date
>
> - The LOC uses the refund amount when calculating loan limits.

Refund Process Flow

Student

Student mails payment to Servicing within 120 days after actual disbursement is made.

Servicing (AFSA)

Servicing applies payment to student's loan and applies as a refund if within 120-day time frame. Loan's gross amount, fee amount, and net amount are adjusted accordingly

Central Database System

LOS edits and populates database with refund transaction and sends a modified disbursement record to the school.

Loan Origination Subsystem (EDS)

School receives modified disbursement record containing data relative to the refund.

School

The WEB Access for schools is still under development. Information regarding the content and functions will be included in the 2001-2002 Technical Reference.

4.9 Loan Origination Web Access for Schools

4.9.1 Provide Online Access to Loan Origination Data for Schools

> **2000-2001 Modification:** Provide institutions with web access to data from the Loan Origination Center. Upon implementation, this modification affects Program Year 2000-2001.

Currently, schools obtain this information by telephone contact with the Loan Origination Center (LOC) and by various electronic transactions via the Title IV Wide Area Network (TIV WAN), including loan origination, promissory notes, drawdowns, and disbursements.

Starting in 2000-2001, schools have the capability to view LOC data via the World Wide Web (WWW). Access consists of a secure Internet connection, per Department requirements, with login user IDs and passwords. Access is restricted to data pertaining to the requesting school, with the exception of borrowers who have Master (or Multi-Year) Promissory Notes. In general, schools are given inquiry access to their borrower, loan, promissory note, disbursement, and batch information. In addition, schools are given access to borrower and promissory note information for individuals not affiliated with the institution who have Master (or Multi-Year) Promissory Notes.

Business Rules:

- Schools have access to borrower, loan, promissory note, disbursement, and batch data.

- Screen presentation and navigation replicates the LOC online system so schools can view the same information the Customer Service Representatives access.

- Navigation consists of a "drill down" approach, where requesters begin at a summary level with capabilities to access various levels of detail. The initial release contains the following screens:

- **Origination Person Detail** - Shows basic demographic and summary loan data for a borrower. Access is by name, Social Security Number (SSN), or Loan ID.

- **Loan Detail** - Shows detailed loan and summary promissory note information for a given Loan ID. Access is obtained by selecting a loan on the Origination Person Detail Screen.

- **Promissory Note Detail** - Shows detailed promissory note information for a given loan. Access is obtained by selecting a promissory note on the Loan Detail screen.

- **Disbursement Summary** - Shows summary disbursements for a given loan. Access is obtained by selecting "Disbursement Summary" on the Loan Detail Screen.

- **Disbursement Detail -** Shows detailed disbursement information for a given loan. Access is obtained by selecting "Disbursement Detail" on the Disbursement Summary Screen.


Business Rules (Continued):

- – **School Batch Status Review -** Shows summary school batch information. Access is by school code, batch type, and date range. Schools are given access only to their own data or data from a related main or branch campus.
- – **School Batch Detail Status -** Shows detailed school batch information. Access is obtained by selecting "Batch Detail" on the School Batch Status Review screen. Schools are given access only to their own data or data from a related main or branch campus.
- – **School Batch Transaction Detail** - Shows detailed transactions that comprise a school batch. Access is obtained by selecting "Transaction Detail" on the School Batch Detail Status screen. Schools are only given access to their own data or data from a related main or branch campus.

- ▪ The initial web page provides links to other school-related web sites.
- ▪ Access is inquiry only to LOC production data. No update access is permitted.
- ▪ Third Party Servicers are given access to data for all schools they service.

See the following illustration for information flow:

Loan Origination Web Access

Information Flow:

Borrower Information

```
┌──────────────────┐
│   Origination    │
│     Person       │
│     Detail       │
└──────────────────┘
          │
          ▼
   ┌──────────────┐
   │ Loan Detail  │
   └──────────────┘
      ╱        ╲
     ╱          ╲
    ▼            ▼
┌──────────┐  ┌──────────────┐
│Promissory│  │ Disbursement │
│Note Detail│  │   Summary    │
└──────────┘  └──────────────┘
                    │
                    ▼
              ┌──────────────┐
              │ Disbursement │
              │    Detail    │
              └──────────────┘
```

Batch

```
┌──────────────────┐
│     School       │
│  Batch Status    │
│     Review       │
└──────────────────┘
          │
          ▼
┌──────────────────┐
│  School Batch    │
│  Detail Status   │
└──────────────────┘
          │
          ▼
┌──────────────────┐
│  School Batch    │
│ Transaction Detail│
└──────────────────┘
```
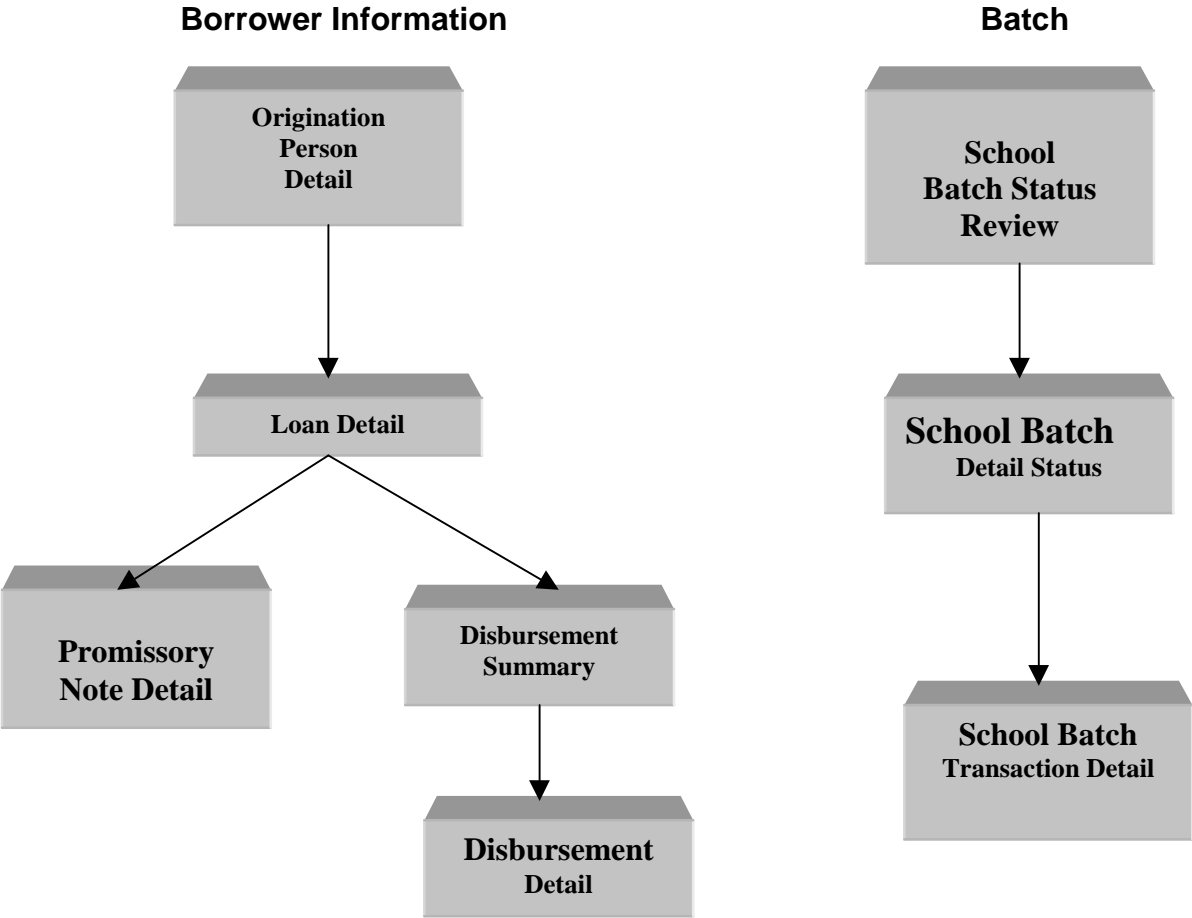
4.9.2 Enhance the Credit Check Process to Support Optional Real-Time Credit Decisions

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2000-2001 Modification: Provide institutions a mechanism to get real-time credit decisions for PLUS loan borrowers to dramatically reduce the approval process time. Upon implementation, this modification affects only Program Year 2000-2001 and forward.

Currently, schools submit a PLUS loan origination record to the Loan Center (LOC) that is either accepted or rejected based on the results of a credit decision submitted by the LOC to the credit bureaus on behalf of the borrower. The borrower's credit report is evaluated against specifications mandated by the Department of Education. In the event of a credit failure, a rejection letter and an endorser form are sent to the borrower, and the borrower is given the option to appeal the credit decision or find an endorser for the loan.

There is no limit to the number of endorsers that can be submitted for a loan. PLUS loan requirements state that if a borrower cannot pass a credit check, the borrower must obtain an eligible endorser who can pass a credit check in order to receive a PLUS loan.

The Direct Loan contract requires that credit checks be processed and results returned to the schools within 3 business days. In addition, failed credit checks must have a credit denial letter returned to the borrower that includes the reasons for failure, a telephone number for the bureau that provided the credit history, and the LOC adjudication process for appeals. Denial letters relating to endorsers are also returned to the borrower with a new endorser form that enables a borrower to submit another endorser, if desired.

Starting in 2000-2001, schools have the capability to evaluate credit histories through a web-based application. The web page accesses an approved credit bureau that meets Department of Education guidelines and returns a real-time pass or failure status to the school for the borrower. If the borrower fails the credit check, an endorser form is sent out only if the school sends the LOR to the LOC.

Business Rules:

- The web-based, online credit checks are available to schools, not to borrowers.

- Real-time credit check requests initiated from the web are Processed by an approved credit bureau.

- The borrower's credit history is retrieved from the bureau, and the web returns a pass or failure result to the schools.

- Credit check evaluations are real-time with credit results being returned to the school via the web.

- Schools are not charged for conducting online credit checks.

- Security for this system is fully capable of protecting sensitive credit information on the web and in accordance with Department of Education requirements.

Business Rules (Continued):

- Borrower's demographic information is captured through the web and sent for credit approval after initial edits have been performed.

- The credit check result is sent to the school over the web with one of the following results:
    — "Accepted" if the credit is approved.
    — "Denied" if the credit is rejected.
    — "Contact LOC" for any other reason.

- The Web Server sends a transaction containing the borrower's demographic information entered through the web, credit check results, credit bureau ID, credit check date, and reason code to the LOC.

- If a credit check request fails, the failure reasons isn't returned to the requesting school. The LOC sends a reject letter to the borrower.

- Information message(s) are displayed on the web page describing what data needs to be reviewed and/or changed to enable the credit bureaus to retrieve the credit histories, if the applicant data submitted by the school is not complete or accurate according to the credit bureaus.

- The web page does not provide an option for printing credit reports.

- The borrower signs a certification form giving the school permission to perform the credit check. However, if the borrower wants a copy of their credit report, the borrower must request credit reports directly from the credit bureau. The telephone number of the credit bureau returning the credit results is displayed on the web page.

- All credit checks and credit decisions are retained for 90 days, regardless of the source of the request (web or batch).

- The LOC can reference all credit data with existing processes and continues to have responsibility for credit overrides and credit appeal processing

- If a borrower credit check record is found that is less than 90 days old, the results of the previous credit check are returned. A new inquiry is not submitted to the credit bureaus.

- Sending endorser addenda to borrowers (if the LOR has been sent) and processing the returned forms continues to be the responsibility of the LOC.
- LOC receives a transaction from the credit bureau, containing credit result and credit reasons for those credit checks initiated through the web.

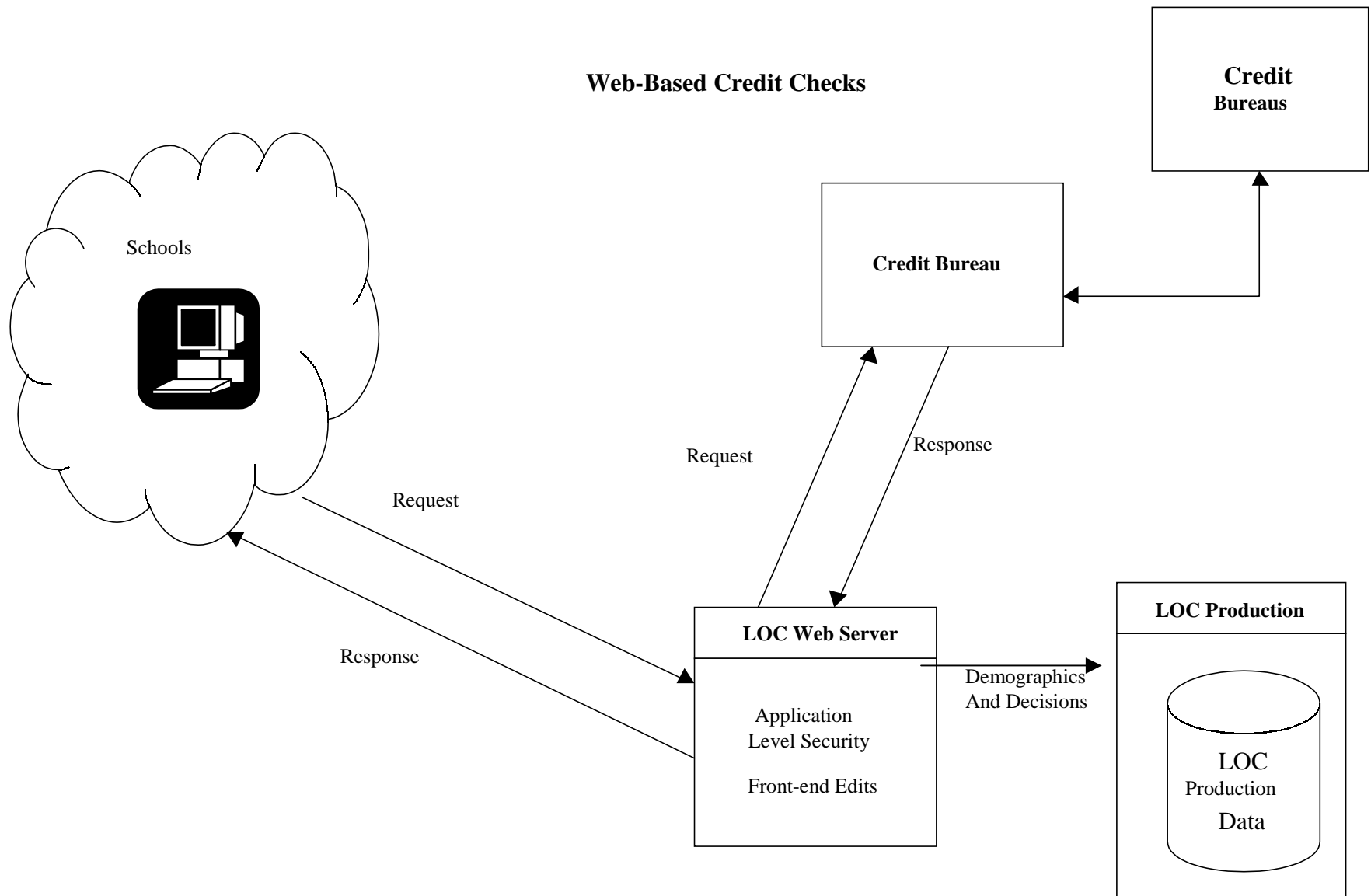See illustration 4.9-6 for process flow of credit checks via the web.

Web-Based Credit Checks

Credit
Bureaus

Schools

Credit Bureau

Request

Response

Request

Response

LOC Web Server

Application
Level Security

Front-end Edits

Demographics
And Decisions

LOC Production

LOC
Production
Data

Figure 4-9-2

4.9.3 Provide Online Access to Grant Administration and Payment System(GAPS) Data to Schools

> **2000-2001 Modification:** Provides schools with web access to Direct Loan School Account Statement (DLSAS) and Grant Administration and Payment System (GAPS) data from the Loan Origination (LOS) system. Upon implementation, this modification affects Program Years 1998-1999 and forward.

Currently, schools obtain GAPS information via telephone contact with the LOC and by various electronic transactions like DLSAS via the SAIG (Student Aid Internet Gateway).

Starting in 2000-2001, schools have the capability to access data used to reconcile direct loan data via the World Wide Web (WWW). The LOC provides web pages similar to the online system used by LOC Customer Service Representatives for institutions to view DLSAS information as well as GAPS information relative to drawdowns and excess cash.

> **Business Rules:**
> - Applicable to program years 1998-1999 and forward.
> - Schools have access to their reconciliation DLSAS, excess cash and drawdown information stored by the LOC. Schools can view only their own data or data from a related main or branch campus. The following web pages are provided:
>   – **DLSAS Summary** shows the cash summary of a school as of that month's end. It has the ending balance, plus all of the elements that are used to compute the ending balance.
>   – **DLSAS Detail shows** all loan detail (disbursements) and cash detail (drawdowns, excess cash) included in that month's DLSAS processing.
>   – **School Drawdowns** shows the cash receipts stored by the LOC from GAPS.*
>   – **Excess Cash** shows the return of excess cash stored by the LOC.*
> - Schools only have inquiry access to the LOC data.
> - Third Party Servicers are given access to data for all schools they service.

* Note: The LOC does not store rejected GAPS transactions; therefore, schools are not able to view them.